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SUBJECT: NIGER'S EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE: SLOW
START AND LIMITED COMMITMENT

REF: STATE 28858

11. SUMMARY: Niger was admitted as an EITI candidate country in September 2007, but has yet to publish a public accounting of government revenues from mining and other extractive industries. Niger's EITI Coordinator expresses confidence that an initial reconciliation will be published in June based on the 2005-2006 audited results for the three mining operations with majority foreign ownership, and that Niger will complete the EITI validation process by the deadline of March 2010. Civil society groups active in the EITI process did not agree to limiting the scope of the report, and they argue that a comprehensive EITI process should address the politically charged issues of payments for exploration permits issued since 2007 and the petroleum production agreement signed with the Chinese in 2008. End summary.

EITI NIGER COORDINATOR EXPRESSES CONFIDENCE

12. On May 6, Econoff and LES Econ Assistant met with Abdoul Aziz Askia, Coordinator of Niger's Extractive Industries Transparency Initiative (EITI), as requested in reftel, to assess Niger's progress in meeting the EITI validation deadline of March 2010. Abdoul Aziz expressed confidence that Niger is on track to complete the validation process well before the deadline of March 9, 2010. An ambitious plan of action was presented to donors and other interested parties in December 2008, but delays in funding slowed implementation until French President Sarkozy made the EITI process the focus of his March 27 visit to Niamey. Sarkozy, Niger Prime Minister Seini Oumarou, and EITI Board Chairman Peter Eigen all expressed commitment to Niger's EITI process during a highly publicized roundtable meeting at which Sarkozy announced that France would provide an additional 140,000 euros funding for EITI Niger. The French donation, combined with US\$245,000 from the World Bank and US\$45,000 from UNDP, will fund a more modest EITI program through June 2010. The Government of Niger (GON) contributes 20 million CFA (approximately US\$40,000) annually to cover basic expenses of the Secretariat, which has been relocated from the Prime Minister's Office to an independent office.

CIVIL SOCIETY GROUPS ARE COMMITTED BUT LESS CONFIDENT

13. Despite Abdoul Aziz's confidence and enthusiasm, and the publicity boost of the March 27 roundtable, Niger has yet to issue its first report. Abdoul Aziz stated that the first report is due in June and will be based on audited accounts of the three largest mining companies for the period 2005-2006. This would not cover other extractive industrial units operating in Niger during that time period, such as the government-owned coal company SONICHAR, a gypsum mine, and artisanal gold mining. According to Abdoul Aziz, these other operations were excluded because they did not provide government revenues above a threshold level. He commented that the

second report, covering 2007-2008, may expand coverage to additional companies and take into account the public response to this first effort. Abdoul Aziz earlier used the audited results provided by these companies to do a "dry run" of a first report. According to civil society participants in the multi-stakeholder group, there was no consensus on limiting the scope of formal reconciliation, but the consultant is working on that basis. (Comment: Abdoul Aziz appears to be advocating that the limitation is the only way to meet the time constraints of the validation schedule. End comment.)

MEMBERS OF THE MULTI-STAKEHOLDER GROUP

¶4. Socit des Mines de l'Aor (SOMAIR) and Compagnie Minière d'Akouta (COMINAK) produce uranium ore, and are majority owned and operated by French power parastatal AREVA. Société Minière Liptako (SML), Niger's only commercial gold mine, is majority owned by two Canadian mining companies, one of which operates the mine. The GON is a shareholder in all three companies, with 37% of SOMAIR, 31% of COMINAK, and 20% ownership in SML. All three companies are represented in the EITI process.

¶5. Civil society organizations active in the EITI process include the local chapter of Transparency International; Réseau des Organisations pour la Transparence et l'Analyse Budgétaire (ROTAB), a local non-governmental organization (NGO) affiliated with "Publish What You Pay," that represents a network of civil society organizations interested in budget transparency; Groupe de Reflexion sur les industries Extractives (GREN), a domestic NGO that has

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published reviews of the gold sector; and the private press.

¶6. EITI Niger benefits from high-level political involvement. Mohamed Abdoulahi, Minister of Mines and Energy, was chosen as President of the implementing committee, and the Ministry of the Economy and Finance is also very involved. Other government ministries participate when EITI takes up an issue of particular interest to them.

THE EITI PROCESS IN NIGER: EMPTY MOMENTUM?

¶7. Abdoul Aziz previously worked for the Office of the Prime Minister, and the organization was based initially within it. It recently moved to separate offices located in an older home that is only partially converted for business use. In addition to reconciliation reports, EITI Niger initiatives include capacity building, particularly for local NGOs, and development of a communications strategy to ensure that EITI activities, including the first report, reach the broadest possible national audience. The small staff and spare environment do not appear equipped to manage the ambitious work plan and complete validation by March 2010, especially given the busy travel schedule of the coordinator, who was elected as one of two francophone representatives to the EITI international board.

¶8. The process of generating an EITI reconciliation report is actually carried out by an independent consultant acting as the administrator. According to Abdoul Aziz, EITI Niger plans to identify and hire the independent administrator immediately, so that the first report can be delivered in June. (Note: This time frame would only be possible if the initial report is, as he proposes, limited to the results of the three companies that have already provided their audited results. End note.)

¶9. The process of validation also requires the involvement of an independent consultant, who must be selected from a list of individuals approved as "validators" by the EITI international secretariat. The validation process is not an audit, but rather an evaluation of the implementation of the EITI process in consultation with all parties involved. The validator verifies that the outcomes

of the process conform to EITI global standards and identifies ways in which the EITI process can be strengthened in the future. Abdoul Aziz claims that EITI Niger will be ready to initiate the validation process very soon, and that there would be no problems in meeting the March 2010 deadline.

CIVIL SOCIETY TAKES THE INITIATIVE

¶10. The civil society participants in Niger's EITI process appear to have accepted that the initial reconciliation report will be limited to three companies and the 2005-2006 time period. To address the limited scope and reinforce the EITI process, and with the financial support of Revenue Watch Institute (RWI), ROTAB will sponsor a "Forum on Extractive Industries" in Niamey, July 13-15, 2009. The Forum will look at three mining projects: the Samira gold mine (which is included in the proposed EITI review), the Agadem oil project, and Imouraren, the huge new uranium project that AREVA is developing. The companies will present information on their projects, and the Forum will include groups that are not included in the EITI stakeholder group, including parliamentarians, academics, and local authorities. The general objective of the Forum is to provide more information about the projects, improve transparency regarding actual and anticipated revenues, and ensure that those revenues are used equitably for the enduring and sustainable development of Niger. The Government of Niger is represented in the schedule, but has not yet confirmed participation in the event.

COMMENT

¶11. While it would be quick and easy, a reconciliation report based on the 2005-2006 audit reports of three companies will be little more than a pro forma exercise, and will not cover many of the controversial or disputed sources of government income from extractive industries in Niger. That time period predates GON actions to open new areas for mineral exploration, which generated a huge wave of exploration contracts in 2007 and 2008. Moreover, the current EITI Niger work plan limits review to the audited results of companies that are actively producing, effectively excluding payments for exploration contracts.

¶12. The Government of Niger does not have a record of transparency,

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and has yet to release detailed information on major new investments, including the Chinese petroleum production agreement. Just this week, GON allies in the National Assembly defeated a proposed inquiry into alleged irregularities in the process of granting mineral exploration contracts. Unless the scope of inquiry is expanded to include payments for exploration contracts and the terms of new contracts, the EITI process in Niger will not address public concerns about corruption in the process of allocating the exploration permits and/or negotiating initial project terms. Civil society organizations are attempting to address some of these deficits through a public Forum on Extractive Industries, but the Government of Niger has not yet demonstrated a willingness to support that effort. End comment.

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